



**CITY OF SCOTTSDALE  
TOURISM DEVELOPMENT COMMISSION  
REGULAR MEETING**

**Tuesday, October 17, 2017**

**Kiva Forum-City Hall  
3939 N. Drinkwater Boulevard  
Scottsdale, Arizona 85251  
DRAFT MINUTES**

- PRESENT:** David Scholefield, Chairperson  
Linda Dillenbeck, Vice Chairperson  
Frank Ashmore  
Carl Grupp  
Camille Hill  
Ken McKenzie
- ABSENT:** David Winter
- STAFF:** Karen Churchard  
Steve Geiogamah  
Ana Lia Johnson  
Jeff Nichols  
Brent Stockwell  
Holli Shannon
- GUESTS:** Andy Myers, International Off-Road Expo  
Emily Austin  
Patty Badenoch  
Howard Myers  
Jason Alexander  
Dave Alford, Parada del Sol Rodeo

**1. Call to Order/Roll Call**

Chair Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m., and noted the presence of a quorum.

## 2. Approval of Minutes

- September 19, 2017 Regular Session Minutes

Chair Scholefield commented on the need for greater detail for topical agenda items. Steve Geiogamah explained the general process, wherein the minutes capture the essence of the conversation, but are not transcribed verbatim. State Legislative requirements are captured, including attendance, times and motions. In response to Chair Scholefield's comments, Mr. Geiogamah said that staff will flesh out topical issues in more detail.

**COMMISSIONER MCKENZIE MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 19, 2017 REGULAR MINUTES AS PRESENTED. COMMISSIONER GRUPP SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER WINTER WAS ABSENT.**

## 3. Clarification Regarding Use of Funds for Desert EDGE

Chair Scholefield stated that the Commission approved items during last month's meeting and work study session and there has been a request for clarification. Karen Churchard, Tourism & Events Director, said that at the City Council work study session, they reviewed the Desert EDGE proposal and the recommendations coming out of the McDowell Sonoran Preserve Commission as well as TDC, and there are a couple points of clarification they would like to have made. One question is whether the \$600,000 for the multi-year capital projects would be a 20-year debt service. Chair Scholefield said that when looking at the meeting minutes, the Commission was voting in favor of taking \$600,000 from the proforma towards the ongoing construction of the Desert EDGE, which would be the second \$600,000 wedge that the Commission had previously approved years ago. It was a multiyear commitment on capital projects.

Ms. Churchard addressed a second clarification regarding references to \$12 million for the \$600,000. The question was whether the intent was for \$12 million to go to the actual capital project itself or to the debt service, as the value does not equal \$12 million. Chair Scholefield stated his recollection that the Commission did not receive clarification from anybody within the City as to what the \$600,000 contribution could cover. He does not feel comfortable stating that it is worth 24, 16, 9 or 8, because he has not been given the information from the City as to what the money would buy. The statements were made by Sam Campana and Chair Scholefield does not know where the information came from. He would rather defer to City Council.

Chair Scholefield addressed an additional request for Tourism Development Funds for a design development report and economic impact study. Ms. Churchard said that during the work study session, staff was given direction to look at what it would cost to do an economic impact study of the business plan itself. There was also discussion as to whether the City should move forward on design development. Some numbers were thrown out at the work study question, but the question was whether or not there might be use of Tourism Development funds. Because the next work study session is not until November 6th, staff is seeking clarification. Chair Scholefield said this is a decision that has to go before City Council before it comes to TDC. City Council needs to let

everyone know which direction they are taking Desert EDGE before TDC can consider funding. There has been no formal presentation of what those funds might be. This is premature and should be reverted back to City Council. If the City wants to approach TDC for the consideration of additional funds, this would be an agenda item for November, December or January.

Chair Scholefield noted that there were requests for public comment on this agenda item.

Emily Austin introduced herself as a 28-year Scottsdale resident. She expressed confusion, as it was her understanding that advertising dollars from the bed tax were supposed to go towards the Desert Discovery Center. She was puzzled why a recommendation for dollars being used from the Tourism Fund is even being discussed at this point when it is not certain whether the Desert EDGE will move forward. There was much debate by the citizens of Scottsdale over the exorbitant cost of the proposed project. There is also a current lawsuit against the City of Scottsdale questioning the legality of the project. Until it is known whether Desert EDGE is moving forward, she questioned how it could be determined what, if any, advertising funds will be appropriated. In a recent telephonic survey, 33 percent of respondents were in favor of the project, with nearly 61 percent opposed.

Patty Badendoch described herself as a 44-year resident of Scottsdale. She stated her concern that the Preserve remain as a preserve, not to be developed in any way. A vote should be held prior to any decisions to support forward action.

Howard Myers cautioned against throwing more money down the bottomless pit. This is the sixth design thus far and the third since it has blown up from being a small venue into a destination attraction. WestWorld is different, as there is evidence that it brings tourists to Scottsdale. There has been no evidence that Desert EDGE will do the same and a valid, independent study should be conducted to show that it will. The PLACES Consulting report was the only independent study, which reflected that Desert EDGE would not bring tourism to Scottsdale and would be a financial drain on the City.

Jason Alexander was present, representing No DDC. As of yesterday, No DDC and Protect our Preserve have raised \$88,000 for its lawsuit to stop the construction of the Desert Discovery Center. The first hearing is October 31st in Superior Court. He addressed the consideration of funding an economic impact analysis. The challenge is that such an analysis is only as good as the business plan upon which it is based. The business plan is flawed in its assumptions of attendance, fund raising and community support. Millions of dollars will be lost per year, as the assumptions are flawed. DDC's Boston-based consultant gave a rambling, disconnected presentation. The consultant spoke before the TDC for six minutes without providing any financial data. His performance was equally poor when he was questioned by City Council two weeks ago. If the TDC takes the position that the project is for the public good, they should acknowledge that the public should be part of the decision process.

#### **4. Museum of the West**

Ms. Churchard stated that last month, staff requested use of \$500,000 Tourism Development Funds to go towards requiring the Museum of the West to have an education program. The Commission asked staff to provide more information about the program. In addition, this item will be presented to Council tonight. Staff will provide an update to them on the Commission's recommendation. The education program includes four components: Changing exhibitions, public programming, school curriculum and community events. There are approximately eight changing exhibitions annually. For 2018, seven education programs are planned, pending funding. In terms of public programming, there are 35 programs annually, including meet the artists, guest speakers, documentaries and other events. In terms of school groups, 9,278 students have gone through some type of curriculum with the Museum of the West activities and tours. This includes field trips, home school days and Wednesday western feature. In regards to the education budget, the Museum has previously spent nearly \$1 million, including education programming, exhibit design, changing exhibits, salaries, payroll and storage.

Chair Scholefield noted that after the last Commission meeting, the Commission received a very aggressive email stating that the Commission was not supportive of the Museum of the West. It is notable that the TDC voted unanimously to support the Museum of the West. The Commission was not necessarily aware of the matching funds contribution that was established by City Council, but has gone along in support for five years. The initial request was for \$400,000 and it was at the Commission's suggestion that the funding be increased to \$500,000 to assist the Museum of the West in increasing their marketing. The view that the Commission has not been supportive of the Museum of the West should be revisited.

Vice Chair Dillenbeck added that by mandate, the TDC is expected to make recommendations to the Council on projects and initiatives that will deliver a Scottsdale experience and generate more overnight stays from visitors to provide additional tax revenue and bed tax funds. The Commission had previously advised staff that business and marketing plans for projects of this size need to be submitted with ample time for the Commission to be able to review them. This makes the Commission's job of evaluating the likelihood of success easier and is part of the TDC's fiduciary responsibility. TDC approval of funding is not the final step. It must still pass the City's gift clause review to ensure that the City receives equal or greater value. Ultimately, it must be approved by the City Council. Those who voice concerns about the position of the TDC on this matter may not be aware of all the guidelines, expectations and requirements of applicants to ensure compliance. Based on its mandate last month, TDC did exactly what they should have, including asking for additional information. Chair Scholefield stated that 105 pages of information was received in terms of a business plan, marketing plan and additional materials.

Vice Chair Dillenbeck noted that the Museum of the West budget did not include funds set aside for marketing. She asked about plans to market the educational programs. Ms. Churchard stated that right now, the request is for \$500,000, which requires the Museum of the West to continue an education program in perpetuity. There was information included in the City Council action report and some discussion last month that suggested moving forward, a request would be made through the operating budget

for \$400,000 for ongoing educational programs and \$200,000 for marketing. Staff is not requesting marketing funding today. Through the Commission, there was \$100,000 to market the Museum and the new Hopi collection. Moving forward, marketing funding will be requested and will come back to the TDC. At this time, there has been no decision as to whether the funds would be requested out of the General Fund or bed tax.

Commissioner Hill commented that not included in the paperwork was marketing for special events, including going to destination management companies and hotels. Having more income producing meetings would be helpful. Her reasons for voting for the Museum are not because she is a sustaining member or because she owns a building in Old Town. The Museum needs to succeed for the Art District cachet to continue.

**COMMISSIONER HILL MOVED TO RECOMMEND THE USE OF \$500,000 TOURISM DEVELOPMENT FUNDS TOWARD AN EDUCATION PROGRAM. VICE-CHAIR DILLENBECK SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ONE (1). COMMISSIONER ASHMORE DISSENTED. COMMISSIONER WINTER WAS ABSENT.**

Commissioner Ashmore stated that his reason for dissenting is the lack of a self-sustaining plan that will drive paid attendance and alleviate bed tax fund usage. He would be happy to discuss suggestions, including strategic partnerships. As a hotelier, his staff has not been engaged with the Museum in terms of visitors seeking advice or input on how the hotel can better participate. There are things that must be proven, including a strategy for self-sustaining, proactive efforts to drive attendance to venues and destinations in order to support them from a business perspective.

## **5. International Off-Road Expo Event New Event Funding**

Mr. Geiogamah explained that this is a new event development funding request for Commission consideration for up to \$70,000. For clarification, there was an off-road expo proposal last month, but this is a different proposal and producer. This is a one-year agreement.

Andy Myers, International Off-Road Expo, stated he has been putting on off-road events in the State of Arizona since 2002, including bringing the Discovery Channel to Arizona for the Biker Build Off. He has also put on the Rocky Point Rally, UTV Rally and the International Off-Road and UTV Expo in Mexicali as well as other events in California and the United States. It is a family-owned business. When he held events at the Phoenix Convention Center and Arizona State Fair Grounds, they would draw upwards of 26,000 people and bring in 300 exhibitors. When the economy collapsed, he brought the event back to Arizona, specifically choosing WestWorld as a premier location. He was the first to spend \$100,000 of personal funds to put on an event, which was a great success. The dates are now being moved to December 1st through the 3rd for better weather conditions, which allows him to bring back the Arizona RV and Trailer Expo. The company has eight billboards on I-8 to attract winter visitors, with 23 billboards currently going up in the Valley as well as 35 bus shelters.

One of the goals is to over the course of three years, transition it to a distributor and dealer expo, bringing in distributors and businesses from around the country and North America. Buyers and visiting companies will all require hotel rooms. The event will include the giveaway of a \$35,000 toy hauler. Registration is free. The event attracts millennials, at 37 percent of total attendance and an overall customer base aged 25 to 54. Marketing materials include hotels, restaurants and the Scottsdale Airport. The company has the largest social media presence with over 94,000 people following the Facebook page, including active engagement.

In terms of marketing, they are partnered with Monster Energy and O'Reilly Auto Parts with O'Reilly Auto Parts selling tickets to the event in their stores. Last year, 280 marketing kits were sent to stores. In addition, 126,000 emails were sent to prospective customers and 500 mailers were sent to companies. This year, direct mailers includes 26,000 names of individuals with over \$100,000 in income and 8,000 names of individuals owning an acre or larger of land in Arizona. The request will help to increase out of market ads.

Last year, the International Film Festival was held at Studio Movie Grill. Unfortunately, they were unable to hold it this year, due to funding. They would like to bring the event back. The company does after hours parties at Twin Peaks and the Tilted Kilt. The event will bring in hotel and event goers. The company has been promoting Experience Scottsdale with a link on its website and continues to promote the City of Scottsdale.

In response to Mr. Myers' comment that the motorcycle industry is crashing, Commissioner Hill asked for clarification. Mr. Myers said the industry in general is out of business. This is due in large part to disinterest by millennials in purchasing and riding motorcycles.

Vice Chair Dillenbeck asked Mr. Geiogamah whether this event came before the Event Working Group. Mr. Geiogamah said it did not. Generally, new event development worksheets do not get reviewed by the Event Working Group. What does go to the group are the three-year long term agreements in the community event funding program.

Commissioner McKenzie asked about the five-year plan. Mr. Myers said that glamping (glamour camping) is a big draw in the industry. The five-year plan would be to increase the RV show to becoming premiere in the country. In terms of the International Off-Road and UTV Expo, he would like to market it overseas and bring people from out of the country. Commissioner Ashmore thanked Mr. Myers for effectively articulating his vision. He commended the company for developing an event during the off season.

Chair Scholefield asked what uses are envisioned with the \$70,000 in the next six weeks before the event. Mr. Myers said the billboards are up. Digital billboards go up today. He would like to increase marketing for radio out of market in Yuma, Tucson, Flagstaff, Las Vegas and other out of region markets. Chair Scholefield asked what percentage would go to marketing. Mr. Myers said the funds will assist with their year-round marketing efforts. They intend to keep the same event dates for the next five years.

**COMMISSIONER ASHMORE MOVED TO RECOMMEND EVENT FUNDING OF \$70,000 TOWARD THE 2017 INTERNATIONAL OFF-ROAD EXPO EVENT.**

**COMMISSIONER MCKENZIE SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER WINTER WAS ABSENT.**

**6. Parada del Sol Rodeo Event Support Funding Proposal**

Mr. Geiogamah stated that this a three-year event funding proposal for \$75,000 annually under the new community event funding program that was recommended by the Commission at the July meeting.

Dave Alford, Parada del Sol Rodeo, introduced himself as a Scottsdale resident for 63 years. They are developing a new look to draw millennials and are discussing the possibility of branding the event as Scottsdale Rodeo in some of its logos. They would like to incorporate billboards in their advertising this year. The rodeo is the 16th event on the rodeo calendar. In terms of the focus on contestants, the Thursday night program started with ten preteens and ten high school and college bull riders. Youth participation means that their support system, family and friends will also come to Scottsdale to see the youth bull riders compete. Efforts include pursuing more and better contestants for bigger draws.

Ninety percent of contestants come from out of town, which means they and their support teams and personnel stay in hotels and purchase fuel, hay and supplies locally. Fan attendance is approximately 60 percent derived from out of town visitors. Experience Scottsdale has strategies for reaching out to Europe and Canada to draw more visitors. There is a desire to increase prize amounts for riders. Marketing strategies include providing free tickets to select hotel guests and advertising real west experience packages to spring training goers.

Commissioner Ashmore asked about the average ticket cost. Mr. Alford said general admission is \$18 and the price increases according to seat location at \$25 and \$45. Commissioner Ashmore asked from what areas of the country attendees travel. Mr. Alford said surveys reveal that attendance varies according to each day of the event. Thursday bull riding night yields many locals and bull riding fans. Saturday night has become a party night with free dances, which draws a younger crowd. Friday night draws a diverse crowd and Sunday draws 60 to 70 percent of visitors out of Arizona. Commissioner Ashmore noted that the Museum of the West would be a natural partner and suggested cooperative marketing.

Commissioner Hill asked how the \$75,000 would be spent. Mr. Alford said that they would like to focus on the billboard campaign. Those results will determine how much they can raise the prize money totals. He would like to raise the prize money \$3,000 per event and there are eight events total. The budget would also include \$5,000 for the Ultimate Guide to Spring Training on two month full page ads.

Commissioner McKenzie asked about the prize total for the top rodeo event. Mr. Ashmore said the National Finals occurs in December, but riders must qualify in advance. If a rider wins a go-round, they can earn \$40,000 a day over a ten-day period.

Chair Scholefield asked Mr. Geiogamah whether the Parada del Sol Rodeo presented to the Commission last year and if so, how much they received. Mr. Geiogamah said the

Parada del Sol Rodeo has participated in the community event funding program for a number of years. Last year they received \$25,000 through that funding program.

**COMMISSIONER ASHMORE MOVED TO RECOMMEND FUNDING IN THE AMOUNT OF \$75,000 ANNUALLY FOR THREE YEARS FROM EVENT DEVELOPMENT FUNDS. VICE-CHAIR DILLENBECK SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER WINTER WAS ABSENT.**

**7. Scottsdale Culinary Event Support Funding Proposal**

It was noted that the presenter was not present. The item was tabled until next month.

**8. EVENT FUNDING PROGRAM RECOMMENDATIONS**

- a. Arabian Horse Show
- b. National Quarter Horse Show

Mr. Geiogamah stated that the Arabian Horse Show is under the matching event advertising fund program and takes place February 15th-25th, 2018 with 300,000 attendees anticipated. The request is for \$30,000. The second event is a community event program submittal, the National Quarter Horse Show, taking place January 4th-7th, 2018 at WestWorld. The request is for \$15,000.

**COMMISSIONER HILL MOVED TO SUPPORT THE EVENTS AS PRESENTED. COMMISSIONER MCKENZIE SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER WINTER WAS ABSENT.**

**9. Staff Reports**

Staff presentation and Commission discussion of the following:

- a. Staff Bed-Tax Collection Report
- b. Staff Bed Tax Hotel Classification Report
- c. Bed Tax Proforma
- d. Smith Travel Report
- e. Program Updates

Mr. Geiogamah addressed the bed tax collection report. There continues to be a large variance, based on the new collection process. August collections were up 29 percent. Year-to-date, they are up 30 percent. Retail collections are up 11 percent. Restaurant collections are up 1 percent. For the Bed Tax Proforma, there was a format change, whereby outstanding debt has been included in the proforma to track long-term capital debts.

Chair Scholefield referred to the collection report, which states the City received \$929,000 in August tax. When broken down by hotel, it does not equal \$929,000. Mr. Geiogamah said the first report is a cash basis only. The classification report pulls data based on reporting period, not actual received collections. Chair Scholefield said



that further clarification would be beneficial for the Commission's understanding. Mr. Geiogamah said staff will follow up to get the information to the Commission.

Chair Scholefield asked whether they should be concerned that full service hotels have been down 9 percent, 19 percent and 24 percent. Mr. Geiogamah said that again, it may be something to do with this particular report. Generally, he likes to look at things on a quarterly basis. If such a trend continues over a period of time, it may be something to look into. He will take a look at this with the department to determine whether any reporting lags are having an effect. Chair Scholefield suggested a deep dive on the negative trending for both limited and full service. Commissioner Ashmore concurred with Chair Scholefield in terms of thinking forward. Future bookings as a brand and company are beginning to trend down. Fellow hoteliers are seeing the same trends.

Commissioner Hill inquired as to what percentage of the trend reporting is a result of the new collection process. Mr. Geiogamah acknowledged that it would be difficult to put a percentage on it at this point and that he will need to look at this further. Ana Lia Johnson said that regarding the percentage change versus the prior year, there will be a variance for the whole fiscal year, because the comparison is for a full month, including accruals and accounting journal entries versus a four week period, which does not count for a full month. This is not an apples to apples comparison. Next fiscal year will be a more accurate comparison. Mr. Geiogamah said that he will invite the Tax Audit Department to provide an update on the collection process.

Vice Chair Dillenbeck referred to the Proforma. For the funding provided to Parada del Sol in the five-year agreement and some other multi-year agreements, the reports show the amounts paid to the events, but this is not a true reflection of the amount liable for. She asked whether, "the amount liable for," is reflected in some report. Mr. Geiogamah said that the total amount liable should be under the 2017 estimate. The year-to-date column was added and gives the amount forwarded or sent out to the producer at that particular time. Chair Scholefield commented that some items seem to be prorated in terms of the payout and others seemed to have been paid up front. Mr. Geiogamah concurred, saying the prorated amount is reflected in the year-to-date column.

Chair Scholefield expressed concern that there may be misinterpretation that there are more funds available than what the actuals are. There are a number of commitments and Council items that could go forward and have a huge impact on the cash flow of the bed tax proforma. Those concerns are exacerbated by the Mayor's recent request to have a better understanding of collections, payouts and processes. Ms. Johnson said this is why staff added the outstanding debt information at the bottom of the proforma. Chair Scholefield said that the three-year long term agreements with Parada del Sol and ArtWalk should be documented.

Mr. Geiogamah suggested that staff work with a Commissioner who would be willing to take a look at the report and provided input on streamlining. Chair Scholefield concurred with the idea and suggested an increase in font size.

Commissioner Hill said that adding another year in the future would also provide information as to where the money is already going, rather than stopping at 2017/2018. Ms. Johnson noted that there is a five year plan which was adopted with the budget and

this data can be added to the report. Mr. Geiogamah suggesting another financial report to include this information. Years ago, the Commission had a five-year projection. Commissioner Hill said that now that there are three and four-year commitments, it would be helpful to see where some of the money is slated to go.

Commissioner McKenzie noted that there is \$68 million in debt that is being serviced, which is costing \$3.6 million per year. There has to be a point in time where long-term debt can no longer be carried. Related discussions should include what this means to the tourism funding long-term. Chair Scholefield noted that the Commission is proposing a work study session in December, which would revolve around Financial Policy 21-A. Commissioner Ashmore said he shares Commissioner McKenzie's concerns regarding the self-sustaining ability of some venues. He suggested future discussion on the appropriate marketing and driving of attendance to fund self-sustaining operations, which will help alleviate carryover year-to-year funding commitments. It is important to retain reserves for events such as the Off-Road Expo, which is a new and promising opportunity for the market. Mr. Geiogamah stated that the November meeting would include a review of the agenda, which will provide the opportunity for more comments on the work study session.

Commissioner Ashmore left the meeting.

Mr. Geiogamah invited any questions on the Smith Travel Report, the General Marketing Report, the Segment Trend Report and the Regional Report. The Segment Trend Report (addressing transient group and contract), has been included in the general packet for approximately six years. Commissioner Ashmore had asked staff to begin to look at revenue coming in by market area. An annual report is available through Smith Travel Research that staff would like to consider adding in lieu of the Segment Trend Report. Chair Scholefield noted that Commissioner Ashmore agreed to assist staff with the Proforma discussion. He had also previously asked about additional revenues of these customers.

## **10. Public Comment**

There were no additional public comments.

## **11. Identification of Future Agenda Items**

Mr. Geiogamah said the November meeting would include a stadium update in regard to the master plan being considered. He has also received a request for an update on Scottsdale 2.0. A transportation update was requested by Commissioner Hill. Staff will present a work study agenda for discussion. He anticipates a first quarter report for Experience Scottsdale. December 12th is being considered as the date for work study. Chair Scholefield said that if the work study moves forward with a focus on 21-A, he suggests that it would be important for the Capital Improvement Subcommittee members to be present.

Chair Scholefield would also like to have an update on Canal Convergence, noting that \$650,000 has been committed to the project. He requested a presentation on trolley

marketing within the Transportation update. In addition, it would be helpful to be informed on the research being done for the presentation for the Mayor in regard to the collection of bed tax. The Commission and its partners at the City need to do a better job of explaining when and where funding is done. There is some misunderstanding with regard to some projects in the marketplace that were supported by bed taxes.

**11. Adjournment**

The meeting adjourned at 9:36 a.m.

SUBMITTED BY:

eScribers, LLC